

Gunnison Valley Regional Housing Authority

Financial Report

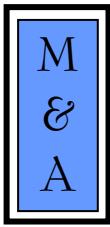
December 31, 2018



**Gunnison Valley Regional Housing Authority
Financial Report
December 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gunnison Valley Regional Housing Authority
Gunnison, Colorado**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gunnison Valley Regional Housing Authority (the "Authority") as of and for the year ended December 31, 2018, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gunnison Valley Regional Housing Authority as of December 31, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Valley Regional Housing Authority
Gunnison, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



Gunnison Valley Regional Housing Authority Management's Discussion and Analysis December 31, 2018

As management of the Gunnison Valley Regional Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's 2018 financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's government-wide assets exceeded its liabilities at December 31, 2018 by \$2,097,181
- The Authority's net position increased by \$65,441 in 2018.

OVERVIEW of the FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet / Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance / net position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities shows how the government's fund balance / net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures, and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund; the General Fund. A budgetary comparison statement for the General Fund is presented on page C3 and has been provided to demonstrate compliance with this budget.

The Authority's financial statements can be found on pages C1 through C3 of this report.

Notes to the Financial Statements: The notes provide a background of the entity, accounting policies utilized by the Authority, relevant statutory considerations, and additional information that will aid in the reader's understanding of the financial statements. The Notes to the Financial Statements can be found on section D of this report.

FINANCIAL ANALYSIS of the AUTHORITY

The following table summarizes the Authority's net position for 2018 and 2017:

	<u>12/31/18</u>	<u>12/31/17</u>
Assets:		
Current assets	\$ 678,001	\$ 717,837
Non-current assets	<u>1,555,259</u>	<u>1,438,980</u>
Total Assets	<u>2,233,260</u>	<u>2,156,817</u>
Liabilities:		
Current liabilities	36,079	25,077
Non-current liabilities	<u>100,000</u>	<u>100,000</u>
Total Liabilities	<u>136,079</u>	<u>125,077</u>
Net Position:		
Net investment in capital assets	13,991	-
Restricted	7,000	32,248
Unrestricted	<u>2,076,190</u>	<u>1,999,492</u>
Total Net Position	<u>\$ 2,097,181</u>	<u>\$ 2,031,740</u>

Between December 31, 2017 and 2018, total assets of the Authority increased by \$76,443. This change in assets is due to a restatement of accrued interest receivable.

Between December 31, 2017 and 2018, total liabilities of the Authority increased by \$11,002. This change in liabilities is due to recording of accrued compensated absences.

The Authority's net position – the extent to which assets exceeded liabilities – was \$2,097,181 at December 31, 2018. \$7,000 of the Authority's 2018 year-end net position has been restricted, representing resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,076,190 may be used to meet the Authority's ongoing obligations relating to its operations.

FINANCIAL ANALYSIS of the AUTHORITY (continued)

The following table summarizes the changes in the Authority's net position for 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Revenues:		
Contributions from local governments	\$ 248,752	\$ 235,000
Other revenues	275,608	559,523
Total Revenues	<u>524,360</u>	<u>794,523</u>
Expenses:		
Operating expenses	458,919	366,761
Total Expenses	<u>458,919</u>	<u>366,761</u>
Change in Fund Balance	65,441	427,762
Net Position - Beginning of Year, restated	<u>2,031,740</u>	<u>1,603,978</u>
Net Position - End of Year	<u>\$ 2,097,181</u>	<u>\$ 2,031,740</u>

The most significant source of revenue for the Authority is contributions from other government entities within the Authority's service area, as outlined in the Intergovernmental Agreement between the parties and totaling \$248,752 for 2018. Aggregate 2018 revenues decreased \$270,163 from the prior year, primarily due to a large payment of developer fee revenues in the prior year.

The Authority's total expenses for 2018 were \$92,158 higher than the prior year, primarily due to increased payroll and benefits. Salaries and benefits for the Authority's staff comprise the largest portion of the Authority's expenses.

BUDGET VARIANCES in the GENERAL FUND

The Authority's 2018 revenues were \$51,317 higher than budgeted for the year, due to unbudgeted revenues from the GV-HEAT program. Expenditures incurred by the Authority in 2018 exceeded budget by \$90,571, as a result of unbudgeted expenses related to GV-HEAT program, and unbudgeted expenditures for the administration of the ballot, and increases in salaries and benefits.

Significant budget variances in the General Fund were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Reason</u>
Revenues:				
GV-HEAT grants and administration fees	-	56,125	56,125	Revenues not budgeted
Expenditures:				
Miscellaneous	-	12,611	(12,611)	Expense not budgeted
Salaries and benefits	213,294	268,229	(54,935)	Health insurance premiums increased
GV-HEAT program expense	-	56,050	(56,050)	Expense not budgeted
Ballot administration	-	34,104	(34,104)	Expense not budgeted

NEXT YEAR'S BUDGET

The Authority's General Fund balance at the end of the 2018 fiscal year totaled \$653,506. The Authority's 2019 budget anticipates a \$55,472 increase in the General Fund balance.

REQUEST for INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison Valley Regional Housing Authority
202 East Georgia Avenue
Gunnison, Colorado 81230
Attention: Executive Director

BASIC FINANCIAL STATEMENTS



**Gunnison Valley Regional Housing Authority
Government Fund Balance Sheet /
Government-wide Statement of Net Position
December 31, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and investments	678,001	-	678,001
Accrued interest receivable	-	347,378	347,378
Development fee receivable	-	163,190	163,190
Note receivable	-	1,030,600	1,030,600
Investment in LLC	-	100	100
Capital assets, net	-	13,991	13,991
Total Assets	<u>678,001</u>	<u>1,555,259</u>	<u>2,233,260</u>
Liabilities:			
Accounts payable and accrued liabilities	641	-	641
Wages and benefits payable	-	11,584	11,584
Due to other governments	1,789	-	1,789
Unearned grant revenue	22,065	-	22,065
Note payable	-	100,000	100,000
Total Liabilities	<u>24,495</u>	<u>111,584</u>	<u>136,079</u>
Fund Balance:			
Spendable:			
Restricted	7,000	(7,000)	-
Committed	88,712	(88,712)	-
Unassigned	557,794	(557,794)	-
Total Fund Balance	<u>653,506</u>	<u>(653,506)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>678,001</u>		
Net Position:			
Net investment in capital assets		13,991	13,991
Restricted for emergencies		7,000	7,000
Unrestricted		2,076,190	2,076,190
Total Net Position		<u>2,097,181</u>	<u>2,097,181</u>

The accompanying notes are an integral part of these financial statements.

Gunnison Valley Regional Housing Authority
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance /
Government-wide Statement of Activities
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Contributions from local governments	248,752	-	248,752
Mountain View - Management and other fees	49,198	-	49,198
Anthracite Place - Management and other fees	37,620	-	37,620
Stallion Park - Management and other fees	7,216	-	7,216
Section 8 administration fee	13,710	-	13,710
GV-HEAT grants and administration fees	56,125	-	56,125
Contributions - Other	1,913	-	1,913
Interest and investment income	1,408	102,288	103,696
Other revenues	2,277	-	2,277
Real estate commissions	3,853	-	3,853
	<u>422,072</u>	<u>102,288</u>	<u>524,360</u>
Total Revenues			
	422,072	102,288	524,360
Expenditures / Expenses:			
Accounting	8,172	-	8,172
Advertising and marketing	2,258	-	2,258
Administrative expense	3,903	-	3,903
Computers	2,575	-	2,575
Contracted services	3,566	-	3,566
Depreciation	-	2,332	2,332
Dues and memberships	950	-	950
Education and training	880	-	880
Insurance	5,671	-	5,671
Internet	4,568	-	4,568
Legal services	3,689	-	3,689
Miscellaneous	12,611	-	12,611
Office supplies	5,200	-	5,200
Postage	327	-	327
Professional services	14,751	-	14,751
Rent	10,332	-	10,332
Salaries and benefits	268,229	11,584	279,813
Travel	7,167	-	7,167
GV-HEAT program expense	56,050	-	56,050
Ballot administration	34,104	-	34,104
Capital outlay	16,323	(16,323)	-
	<u>461,326</u>	<u>(2,407)</u>	<u>458,919</u>
Total Expenditures / Expenses			
	461,326	(2,407)	458,919
Change in Fund Balance / Net Position	(39,254)	104,695	65,441
Fund Balance / Net Position - Beginning of Year (restated)	<u>692,760</u>	<u>1,338,980</u>	<u>2,031,740</u>
Fund Balance / Net Position - End of Year	<u><u>653,506</u></u>	<u><u>1,443,675</u></u>	<u><u>2,097,181</u></u>

The accompanying notes are an integral part of these financial statements.

Gunnison Valley Regional Housing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance: Positive (Negative)
Revenues:				
Contributions from local governments	248,750	248,750	248,752	2
Mountain View - Management and other fees	49,100	49,100	49,198	98
Anthracite Place - Management and other fees	42,593	42,593	37,620	(4,973)
Stallion Park - Management and other fees	7,512	7,512	7,216	(296)
Section 8 administration fee	16,800	16,800	13,710	(3,090)
GV-HEAT grants and administration fees	-	-	56,125	56,125
Contributions - Other	-	-	1,913	1,913
Interest and investment income	-	-	1,408	1,408
Other revenues	1,000	1,000	2,277	1,277
Real estate commissions	5,000	5,000	3,853	(1,147)
Total Revenues	370,755	370,755	422,072	51,317
Expenditures:				
Accounting	11,620	11,620	8,172	3,448
Advertising and marketing	3,000	3,000	2,258	742
Administrative expense	4,000	4,000	3,903	97
Computers	3,200	3,200	2,575	625
Contracted services	21,544	21,544	3,566	17,978
Dues and memberships	1,200	1,200	950	250
Education and training	6,500	6,500	880	5,620
Insurance	4,500	4,500	5,671	(1,171)
Internet	3,430	3,430	4,568	(1,138)
Legal services	14,000	14,000	3,689	10,311
Miscellaneous	-	-	12,611	(12,611)
Office supplies	3,700	3,700	5,200	(1,500)
Postage	1,400	1,400	327	1,073
Professional services	26,000	26,000	14,751	11,249
Rent	9,750	9,750	10,332	(582)
Salaries and benefits	213,294	213,294	268,229	(54,935)
Travel	18,850	18,850	7,167	11,683
Website	1,200	1,200	-	1,200
GV-HEAT program expense	-	-	56,050	(56,050)
Ballot administration	-	-	34,104	(34,104)
Capital outlay	23,567	23,567	16,323	7,244
Total Expenditures	370,755	370,755	461,326	(90,571)
Change in Fund Balance	-	-	(39,254)	(39,254)
Fund Balance - Beginning of Year (restated)	187,345	187,345	692,760	505,415
Fund Balance - End of Year	187,345	187,345	653,506	466,161

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS



Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018

I. Summary of Significant Accounting Policies

Gunnison Valley Regional Housing Authority (the "Authority") is a multijurisdictional housing authority incorporated under the laws of the State of Colorado. The Authority was created to effect the planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs pursuant to a multijurisdictional plan to provide: (a) dwelling accommodations at rental prices or purchase prices within the means of families of low or moderate income; and (b) affordable housing projects or programs for employees of employers located within the jurisdiction of the Authority.

The creation of the Authority was authorized via an Intergovernmental Agreement executed effective July 1, 2012, with operations commencing in 2013. Participating municipalities include Gunnison County, Colorado; the City of Gunnison, Colorado; the Town of Crested Butte, Colorado; and the Town of Mount Crested Butte, Colorado. The agreement is further explained in footnote V.C. to these financial statements.

The Authority is governed by an appointed nine member Board of Directors (the "Board"): two appointed by the Gunnison County Board of County Commissioners; two appointed by the City Council of the City of Gunnison; two appointed by the Town Council of the Town of Crested Butte; two appointed by the Town Council of the Town of Mount Crested Butte; and an "at-large" member appointed by the Board.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for the establishment of GAAP for governmental entities. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

A. Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the Authority, and (b) organizations for which the Authority is financially accountable. The Authority is considered to be financially accountable for a legally separate organization if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based on these criteria, the Authority is not considered to be financially accountable for any other organization.

B. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

B Government-wide and Fund Financial Statements (continued)

In the Governmental Fund Balance Sheet / Government-wide Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – investment in capital assets, restricted and unrestricted.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The Authority reports only one fund – the General Fund - which accounts for all activities of the government. Contributions and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

The Authority follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General Obligations and Revenue Obligations
- Local government investment pools
- Money market mutual funds

2. Receivables

Receivables are comprised of amounts due from other governments or entities for management fees, and are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established at December 31, 2018, as the Authority considers all accounts to be collectible.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of \$500 or more. Purchased assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Buildings and improvements, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Useful Life (Years)
Vehicles, furniture and equipment	5 - 7 years
Buildings and improvements	15 - 30 years

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Fund Balance

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity as to the level of restriction; such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund, and should be the only fund that reports a positive unassigned balance. In all other funds, unassigned fund balance is limited to negative residual fund balance.

The Authority classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority has adopted and committed a minimum fund balance policy in an amount of three months of average operating expenses.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The Authority's financial statements include a reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The Authority adds assets including \$163,190 in development fee receivable, \$1,030,600 in long-term note receivable, \$347,378 in accrued interest on development fee receivable and note receivable, \$100 for an investment in an LLC, and net capital assets of \$13,991. The Authority adds liabilities including \$11,584 of accrued vacation payable and \$100,000 note payable.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The Authority's financial statements also include a reconciliation between the net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. Revenues increased \$102,288 for accrued interest on development fee receivable and long-term note receivable. Expenditures increased \$11,584 for changes in accrued vacation payable, increased \$2,332 for depreciation expense, and decreased \$16,323 for capitalized assets.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the Board formally adopts a budget with appropriations by fund for the ensuing year pursuant to the State of Colorado's *Local Government Budget Law* statutes. The budget for the governmental fund is adopted on a basis consistent with GAAP.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The Authority followed this process in preparing, approving, and enacting its budget for fiscal year 2018:

- (1) On or before October 15, 2017, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.
- (2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2017.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

The Authority made no supplemental budget appropriations for 2018.

Total General Fund expenditures for 2018 exceeded appropriations by \$90,571; which is considered a violation of Colorado's *Local Government Budget Law* statutes.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Authority has reserved \$7,000 of the December 31, 2018 fund balance in the General Fund for this purpose.

The Authority's management believes it is compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

Colorado's Public Deposit Protection Act (the "PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Federal Deposit Insurance Corporation (the "FDIC") insures the first \$250,000 of the Authority's interest-bearing deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by the PDPA. The Authority's deposits at December 31, 2018 are entirely covered by the FDIC or by the PDPA.

At December 31, 2018, the carrying value of the Authority's deposits was \$678,001 and the bank balance of these accounts was \$687,745. The difference between carrying and bank balances represents items that had not cleared the bank at year end.

At year-end, the Authority had the following cash and investments, with the following ratings and maturities:

<u>Type</u>	<u>Standard & Poors Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>One to Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 100	\$ 100	\$ -
Checking	Not Rated	274,766	274,766	-
Savings and money market	Not Rated	403,135	403,135	-
		<u>\$ 678,001</u>	<u>\$ 678,001</u>	<u>\$ -</u>

B. Development Fee Receivable

Effective July 1, 2015, the Authority entered into a Development Agreement with Anthracite Place Apartments, LLC ("APA LLC"), pursuant to which the Authority was to oversee the development of the Anthracite Place Apartments rental housing project (the "Project") in Crested Butte, Colorado. The Project qualifies for the federal low-income housing project tax credit program. In return for its services, APA LLC is to pay the Authority a development fee totaling \$770,000 as the Project is developed and constructed. Through 2018, the Authority has received a total of \$606,810 from the development fee earned upon completion of the Project development in 2016, with the remaining \$163,190 reflected as a receivable at December 31, 2018. As provided in the Development Agreement, unpaid development fee amounts due to the Authority accrue interest at 9% per annum, and are to be paid from Net Cash Flow of the Project. Total accrued interest on the unpaid development fee receivable as of December 31, 2018 was \$29,374.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

IV. Detailed Notes on All Funds (continued)

C. Long-Term Note Receivable

Effective July 15, 2015, the Authority and APA LLC executed a Loan Agreement, pursuant to which the Authority loaned APA LLC the principal amount of \$1,030,600 to fund certain Project development costs. The loan, which is secured by a Deed of Trust encumbering the Project, is subordinate to a Low Income Housing Land Use Agreement in favor of Colorado Housing and Finance Authority. Interest accrues on the unpaid principal amount at 8.5% per annum through maturity on July 1, 2047. The outstanding unpaid principal balance, together with interest, is to be paid in a lump sum upon maturity. Total accrued interest on the loan receivable at December 31, 2018 was \$318,004.

D. Investment in Limited Liability Company

The Authority is the sole member of Anthracite Place (Member), LLC ("AP(M) LLC"), which is the managing member of APA LLC. Pursuant to the Amended and Restated Operating Agreement for APA LLC, AP(M) LLC is to be allocated 0.01% of all profits, losses, and tax credits realized by APA LLC.

The Authority accounts for its investment in APA(M) LLC using the equity method of accounting and are reported as of December 31, 2018, which is the date of the most recent financial statements.

E. Capital Assets

At December 31, 2018, the Authority had the following capital assets:

	<u>12/31/17</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/18</u> <u>Balance</u>
<u>Governmental Activities:</u>				
Capital assets being depreciated:				
Vehicles	\$ -	\$ 16,323	\$ -	\$ 16,323
Less accumulated depreciation for:				
Vehicles	-	(2,332)	-	(2,332)
Governmental Activities				
Capital Assets, net	<u>\$ -</u>	<u>\$ 13,991</u>	<u>\$ -</u>	<u>\$ 13,991</u>

F. Related Party Transactions

Effective July 1, 2015, the Authority executed a Property Management Agreement with APA LLC, pursuant which the Authority is to provide exclusive rental and property management services with respect to the Project. In return, the Authority is to receive a management fee equal to 6% of annual Project gross revenues plus the amount of overhead and benefits applicable to the Authority's staff directly involved with the management of the Project.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Related Party Transactions (continued)

For 2018, the Authority received management fees of \$14,964 and \$22,656 of administration fees, respectively, under the terms of the Property Management Agreement. The Authority has the following amounts due to / from APA LLC at December 31, 2018:

Due from APA LLC	\$	1,247
Due to APA LLC		<u>(1,888)</u>
Due from (to) APA LLC	\$	<u>(641)</u>

G. Accrued Compensated Absences

Earned but unused vacation and sick leave benefits are recorded as expenses and liabilities when incurred in the government-wide financial statements. The Authority accrues vacation and sick leave according to its personnel policy. All eligible employees are to be paid for accumulated vacation at the time of separation from the Authority at the average hourly rate received by the employee during the last three years of employment. Sick leave is paid at 33.33% of up to 720 hours for employees with up to 15 years of service, and 50% for up to 720 hours for employees over 16 years of service. The accumulated balance of the Authority's accrued vacation and sick leave at December 31, 2018 was \$11,584.

H. Note Payable

In July 2015, the Authority executed a Promissory Note and Loan Agreement with Gunnison County in the principal amount of \$100,000 for the purposes of satisfying a net worth requirement pursuant to the Unconditional Guaranty (see Note V.D.). The outstanding unpaid principal balance of the loan – which is non-interest-bearing – is payable at the start of the Operating Deficit Loan Period as defined in APA LLC's Amended and Restated Operating Agreement. As of December 31, 2018, the conditions have been met and the note is payable.

V. Other Information

A. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2018.

B. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority has obtained coverage through commercial insurers for these risks and claims, if any, which are not expected to exceed covered amounts.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

V. Other Information (continued)

C. Intergovernmental Agreement

Effective July 10, 2012, Gunnison County, the City of Gunnison, the Town of Crested Butte, and the Town of Mount Crested Butte executed an intergovernmental agreement (the "IGA") to establish the Authority. The IGA is to remain in effect indefinitely but can be terminated by approval of 75% of the Authority's Board. The IGA was amended effective August 15, 2017 to provide a five-year funding plan for the Authority, beginning in 2018.

Pursuant to the amendment to the IGA, the organizing parties have agreed to fund the Authority according to the agreement in the following amounts in 2018:

Gunnison County	\$ 93,500
City of Gunnison	53,000
Town of Crested Butte	58,750
Town of Mt. Crested Butte	<u>43,500</u>
Total	<u><u>\$ 248,750</u></u>

D. Unconditional Guaranty

The Authority has executed an Unconditional Guaranty in favor of U.S.A. Institutional Tax Credit Fund XCVII L.P. (the "Investor Member") and APA LLC, whereby the Authority guaranties the obligations of AP(M) LLC as Managing Member under APA LLC's Amended and Restated Operating Agreement by ensuring that the collective Net Worth and Liquidity of the Authority ("Guarantor") exceeds and will continue to equal or exceed \$150,000 annually for the remainder for the 15-year Tax Credit Compliance Period for the Project. The Authority believes it is in compliance with the terms of the Unconditional Guaranty.

E. Restatement of Beginning Fund Balance / Net Position

Beginning Fund Balance and Net Position as of December 31, 2018 were restated as follows:

Fund Balance - Beginning of Year	\$ 608,742
Reverse long-term note payable	100,334
Reverse prior year receivables	<u>(16,316)</u>
Fund Balance - Beginning of Year (restated)	<u><u>\$ 692,760</u></u>
Net Position - Beginning of Year	\$ 1,639,342
Record long-term note payable	(100,000)
Record long-term developer fee receivable	163,190
Record long-term accrued interest receivable	245,090
Record investment in LLC	100
Restatement of fund balance	<u>84,018</u>
Net Position - Beginning of Year (restated)	<u><u>\$ 2,031,740</u></u>

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2018
(Continued)

V. Other Information (continued)

F. Lease Agreement

Effective January 2013, the Authority entered into a lease agreement with Gunnison County for use of office space. The original lease term expired in December 2015 but was subsequently extended. Effective March 2018, the Authority and Gunnison County executed a new lease for the office space, with a term running through February 2020, unless otherwise extended or terminated by the parties. The lease calls for the Authority to pay monthly rent of \$850 during the lease term.